

REPORT OF THE AUDITOR-GENERAL TO THE
FREE STATE LEGISLATURE ON THE FINANCIAL
STATEMENTS OF THE **MANGAUNG LOCAL
MUNICIPALITY** FOR THE YEAR ENDED
30 JUNE 2003 AND THE RESULTS OF THE
MANGAUNG LOCAL MUNICIPALITY'S PERFOR-
MANCE MEASUREMENT FOR THE YEAR ENDED
30 JUNE 2003

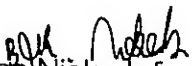
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INTRODUCTION

This Report is submitted to the Free State Legislature in terms of section 21 of the Public Audit Act, 2004 (Act No. 25 of 2004).


BJK van Niekerk for Auditor-General

Bloemfontein

22 July 2005



A U D I T O R - G E N E R A L

ANNEXURE B

**REPORT OF THE AUDITOR-GENERAL TO THE MEMBERS OF THE COUNCIL OF
MANGAUNG LOCAL MUNICIPALITY ON THE FINANCIAL STATEMENTS OF THE
MANGAUNG LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2003**

REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON THE FINANCIAL STATEMENTS OF THE MANGAUNG LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2003

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 4 to 22, for the year ended 30 June 2003, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations, which came to my attention and are applicable to financial matters.

I believe that the audit provides a reasonable basis for my opinion.

3. QUALIFICATION

3.1 Fixed assets

- (a) The immovable property of the former Botshabelo Transitional Local Council is still registered in the name of the Free State Provincial Government and has not yet been transferred to and recorded by Council. The value of the property could not be quantified. Consequently, fixed assets totalling R636 189 883 as disclosed in note 6 are understated by an unknown amount.
- (b) As reported in the previous year's audit reports, the former Botshabelo and Thaba Nchu Transitional Local Councils failed to maintain complete and adequate asset registers upon which any reliance could be placed. With the exception of motor vehicles, the Council was therefore unable to record individual fixed asset items in the fixed asset register of the Mangaung Local Municipality, as the details of individual asset balances were not available.

The total value of all motor vehicles so recorded was written off, whereafter the motor vehicles verified by means of an inventory count were capitalised at valuation, resulting in a surplus of R2 298 760 on revaluation during the 2001-02 financial year.

- (c) Procedures and practices followed by Council were not consistently effective to ensure sufficient control over assets. Although fixed asset registers were maintained, as a result of the discrepancies reported in (a) and (b) above, and as descriptions, especially serial numbers, were insufficient to identify assets, it was

not always possible to verify the assets and it could not be confirmed that all assets included in the register still existed. Furthermore, asset registers were not always amended when directorates, after physical inspection, advised on assets sold, transferred, scrapped or written off, as substantiating documents were not enclosed. It was noted that in numerous instances, directorates failed to submit certified details of their fixed assets to the Finance Directorate. Consequently, I was not able to verify the completeness and accuracy of fixed assets in the sum of R636 189 883, as disclosed in note 6 to the financial statements.

3.2 Debtors

- (a) According to records submitted, the provision for bad debts amounting to R117 692 866 at 30 June 2003 was understated by approximately R66 902 403 (2002: R57 851 147), including a provision of R15 065 621 (2002: R7 971 316) in respect of long-term debtors.
- (b) As a result of consumer accounts not being adjusted timeously for incorrect levies, debtors and income as disclosed in the financial statements were overstated by R5 635 100 at 30 June 2003 (2002: R11 403 663).
- (c) Included in debtors as disclosed in note 10 to the financial statements were amounts totalling R99 428 resulting from cash shortages. These amounts were not recouped. A further amount of R32 525, deposited according to a bank-stamped deposit slip, could not be traced to the bank statement. The internal audit unit is currently investigating this deposit.

3.3 Creditors

- (a) Unidentified deposits in the bank totalling R17 335 474 (2002: R26 521 777) were recorded as creditors at year-end, as details of the payers were insufficient to credit the correct debtor accounts timeously. Consequently, debtors and

creditors were overstated and possibly other income was understated by R17 335 474 at 30 June 2003.

- (b) Creditors totalling R1 370 087 (2002: R3 543 983) in respect of fixed assets purchased in the sum of R734 734 and operating expenses incurred in the sum of R635 353, were not recorded at 30 June 2003. Creditors, fixed assets and operating expenditure as disclosed in the financial statements at 30 June 2003 were therefore understated by the aforementioned amounts.
- (c) Stale cheques totalling R1 391 856 were not written back at year end. Consequently, creditors and bank as disclosed in the financial statements at 30 June 2003 were understated by the aforementioned amount.

4. QUALIFIED AUDIT OPINION

In my opinion, except for the effect on the financial statements of the matters referred to in paragraph 3, the financial statements fairly present, in all material respects, the financial position of the Council at 30 June 2003 and the results of its operations and cash flows for the year then ended, in accordance with prescribed accounting practice.

5. EMPHASIS OF MATTER

Without further qualifying the audit opinion expressed above, attention is drawn to the following matters:

5.1 Matters affecting the financial statements

5.1.1 Limitation on scope of audit

Cheques totalling R892 342, various cash point summaries, bank statements and deposit slips for the fresh produce market could not be submitted to audit.

This matter constitutes a limitation on the scope of our audit, as certain procedures, which were deemed necessary in order to verify the accuracy, validity and completeness of the income and expenditure of the fresh produce market, could not be performed.

5.2 Matters not affecting the financial statements

5.2.1 Unauthorised expenditure

In terms of section 10G(5)(a) of the Local Government Transition Act, 1993 (Act No. 209 of 1993), a municipality shall award contracts for goods and services in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.

In the following instances, expenditure was incurred on a basis inconsistent with that stipulated in section 10G(5) of the Local Government Transition Act, 1993:

- (i) The Council appointed a number of consultants, who individually received more than R120 000, during the year under review. Expenditure incurred in relation to these consulting services totalled R10 902 361 (2002: R4 700 673). Contrary to the aforementioned legislation and the Council's financial regulations, tenders were not invited for the appointments.

Included in the aforementioned expenditure incurred was an amount of R6 031 781 in respect of payments made to a consultant. The total contract price amounted to R7 146 000. The remainder of the contract price totalling R1 114 219 had not yet been paid at 30 June 2003. —

- (ii) The Council approved the purchase of a telephone system in the sum of R519 840 without inviting tenders, but on the basis of four quotations that were obtained for this purpose.
- (iii) It was noted that in respect of payments totalling R650 720, only one quotation was obtained instead of the minimum of two as required by the Council's Financial Regulations.

As the aforementioned expenditure was incurred on a basis inconsistent with that stipulated in section 10G(5) of the Local Government Transition Act, 1993, expenditure incurred in the sum of R12 072 921 is considered to be unauthorised in terms of section 10G(2)(j)(iii) of the aforementioned act.

5.2.2 Weaknesses in internal control

In terms of section 10G(2)(c) of the Local Government Transition Act, 1993 (Act No. 209 of 1993), every municipality shall establish and maintain a system of internal control. The following internal control weaknesses were identified during the audit:

(a) Internal audit unit

As the internal audit unit was still understaffed during the year under review, they were unable to concentrate their audit efforts on internal control procedures and compliance with procedures. Although management indicated in their response to the previous year's management letter that a new approved restructured internal audit unit was expected to be implemented during July 2003, in the response to the current year's management letter the anticipated date of implementation was indicated as July 2004.

(b) Computer environment

The audit of the computer environment revealed the following internal control weaknesses relating to the Information Technology sub-directorate system, Treasury system, Fresh Produce Market system, Vending system and Traffic system.

- (i) No formal Information Technology Strategic Plan or Disaster Recovery Plan was in place. Without a Technology Strategic Plan it was possible that management would not be able to provide clear direction to the organisation regarding its planning around information technology.

If a disaster should occur, it was possible, in the absence of a formally documented Disaster Recovery Plan, that the recovery process would be delayed and that it would not be properly structured.

- (ii) It was noted that the Financial Systems division of the Information Technology sub-directorate was understaffed on managerial and technical level during the year under review. Should any of the current staff resign or be unavailable for an extended period, it could have a significant impact on the effectiveness and efficiency of the sub-directorate.
- (iii) The programmers of the financial system utilised by the Treasury sub-directorate had full access to the production environment. A risk existed that the programmers could make changes to properly tested programs without the changes being properly tested or authorised, which could result in errors in the program.
- (iv) The developer of the software application utilised by the Traffic directorate had full user access to the system. The developer could make changes to the system without proper communication to ensure that the municipality

authorised such changes and was aware of the full extent of the system changes.

(c) Inventory

Control over inventory items was found to be unsatisfactory, due to the fact that certain directorates could not submit an inventory register to audit and some inventory registers were not checked regularly. Furthermore, not all inventory items were marked as property of Council.

(d) Orders and requisitions

- (i) Purchase requisitions in the sum of R252 883 did not contain any signature indicating authorisation thereof.
- (ii) Several requisitions totalling R2 955 769 were identified where the amounts of the orders exceeded the personal authorisation limit of the employees who authorised the requisitions. The total authorised limit of the employees in respect of the said requisitions amounted to R820 000.
- (iii) Purchase requisitions totalling R456 713 were authorised by employees not listed on the authorised signatory list.

(e) Expenditure

Payments totalling R10 460 145 were made that were supported by copies of substantiating documents. Original invoices could not be submitted for audit purposes. This increased the risk that payments of invoices might be duplicated, or that input VAT might be claimed in contravention of section 16(2)(a) of the Value-added Tax Act, 1991 (Act No. 89 of 1991).

(f) Leave records

Delays of up to four months were noted in the recording of application for leave forms on the leave system. Furthermore, the leave records of Botshabelo and Thaba Nchu had not yet been integrated into the leave system of the Mangaung Local Municipality. This increases the risk of inaccurate leave credits and may result in financial losses to the Council.

5.2.3 Matters in the public interest

(a) Register of interest of councillors

Although management requested councillors to submit information regarding personal interests in terms of rule 68 of the Standard Rules and Orders, Local Government Regulations, published on 1 December 2000, the register of interest of councillors was found to be incomplete as three councillors (2002: five councillors) failed to respond to such requests.

(b) Previous audit report

As is evident from this report, similar findings to those reported in the previous audit report were revealed and, in most instances, were not rectified timeously. The failure to give the necessary urgent attention to matters raised in audit reports in order to bring about regularity and compliance ultimately defeats the object of the audit as well as public accountability. It results in unnecessary expenses that are considered to be avoidable, as a result of the same problem areas having to be investigated repeatedly.

(c) Forensic audit – Mangaung Tourism

The Council has partially funded Mangaung Tourism (previously known as the Bloemfontein Publicity Association) since its inception in 1988-89. During the year under review, the Council advanced funding in the sum of R580 000 to Mangaung Tourism.

A forensic audit was conducted by an external audit firm appointed by the Board of Mangaung Tourism and a copy of the forensic audit report was submitted to this office. Although possible fraud and irregularities are revealed in the said report, this office is of the opinion that certain other allegations as well as certain aspects, which were revealed in the report, require further investigation.

5.2.4 Financial management: Debtors

Total consumer debtors as disclosed in note 10 to the financial statements decreased from R616 140 717 at 30 June 2002 to R519 698 980 at 30 June 2003, after bad debts in the sum of R149 419 906 were written off. Consumer debtors therefore still increased by R52 978 169 (2002: R126 596 590) on current transactions. The debt collection period for water and electricity debtors was 196 days (2002: 188 days) and 265 days (2002: 429 days) in respect of rates and taxes debtors at 30 June 2003. For total consumer debtors, the collection period decreased from 269 days at 30 June 2002 to 230 days at 30 June 2003, mainly as a result of the bad debts written off.

It is also disconcerting that there are suspense and sundry debtors' accounts and erven and housing debtors'/loan accounts which reflected no payments during the financial year.

It is therefore essential that drastic steps be implemented to encourage consumers to pay for services.

5.2.5 Non-compliance with laws and regulations

(a) Format of financial statements

The financial statements do not comply, in all respects, with the standards laid down by the Institute of Municipal Finance Officers in its Code of Accounting Practice for Local Authorities in South Africa (1996). Examples of the differences include the following:

- (i) Details of the actuarial valuation of all retirement funds for councillors and employees are not disclosed in note 28 to the financial statements.
- (ii) A pension or grant is paid to former employees who comply with specific criteria. The future liability in respect of these employees is not disclosed by way of a note to the financial statements.

(b) Maintenance of accounting records

Contrary to section 10G(2)(a)(i) of the Local Government Transition Act, 1993 (Act No. 209 of 1993), the Council did not always properly maintain accounting records, with the result that certain supporting documentation was not available for audit purposes.

As mentioned in paragraph 5.1.1, cheques totalling R892 342, various cash point summaries, bank statements and deposit slips for the fresh produce market could not be submitted to audit.

(c) Attendance of meetings

According to rule 13(7) and (8) of the Standard Rules and Orders, Local Government Regulations, published on 1 December 2000, councillors must pay a fine of 10% of his/her monthly allowance if he/she is absent from a Council or committee meeting without applying for leave of absence. Notwithstanding the fact that these rules were transgressed by a number of councillors on at least 39 occasions during the year under review (2002: 88 occasions), the relevant councillors were not fined.

(d) Delegated powers

Although delegated powers exercised by the executive mayor were reported to Council via the Executive Committee, reports as required in terms of section 63 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), to advise Council of the delegated powers exercised, could not be submitted to audit.

Furthermore, evidence that delegated powers exercised by the city manager, executive directors and general managers were reported to the Council as required, could not be furnished.

(e) Fringe benefits

In terms of paragraph 2(d) of the Seventh Schedule to the Income Tax Act, 1962 (Act No. 58 of 1962), a taxable benefit will arise when an employee is provided with residential accommodation for a rental consideration, payable by the employee, which is less than the rental value of such accommodation as determined under the applicable provisions of the Act.

Notwithstanding, fringe benefits in respect of low rental residential accommodation were not reflected as a taxable benefit in five individual employees' IRP5 certificates.

(f) Consumer accounts of councillors

Contrary to section 12A of Schedule 1 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), it was noted that accounts in respect of rates and service charges of some councillors, totalling R86 206 (2002: R63 751), had been outstanding for a period of more than three months at year-end. At 30 September 2003, the outstanding debt had increased to R92 110.

(g) Value-added tax

Tax invoices in the sum of R1 097 349 in respect of purchases relating to the water network and meters were made out in the name of the consulting engineers. The Council paid these invoices and, contrary to section 16(2)(a) of the Value-added Tax Act, 1991 (Act No. 89 of 1991), claimed the input VAT.

(h) Banking

In terms of the Council's financial regulations, all receipts for a particular day should be banked on the following working day. Notwithstanding, it was noted that money received at various paypoints was not always banked on the following working day. Delays of up to fourteen calendar days were noted at the Botshabelo cash hall.

(i) Submission of financial statements

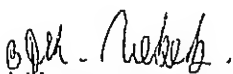
Although the financial statements were approved by the city manager on 10 September 2003 and submitted to this office before the due date on 30 September 2003, they were only presented to and approved by Council on 01 April 2004 and officially submitted to this office on 07 April 2004. This is contrary to section 3(3) of the Auditor-General Act, 1995 (Act No. 12 of 1995) and section 10G(2)(e)(i) of the Local Government Transition Act, 1993 (Act No. 209 of 1993).

5.2.6 Other audits

An assessment of the results of performance measurement in accordance with Statements of South African Auditing Standards applicable to agreed-upon procedures engagements was concluded, and a report to this effect was included in the annual report.

6. APPRECIATION

The assistance rendered by the staff of the Mangaung Local Municipality during the audit is sincerely appreciated.


B.J.K. van Niekerk
for Auditor-General

Bloemfontein

25 May 2004

PART 2**REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON THE FINANCIAL STATEMENTS OF THE BLOEMET CONSOLIDATED METROPOLITAN TRANSPORT FUND FOR THE YEAR ENDED 30 JUNE 2003****1. AUDIT ASSIGNMENT**

The financial statements as set out on pages 33 to 36, for the year ended 30 June 2003, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations, which came to my attention and are applicable to financial matters.


I believe that the audit provides a reasonable basis for my opinion.

3. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the Bloemet Consolidated Metropolitan Transport Fund at 30 June 2003 and the results of its operations and cash flows for the year then ended, in accordance with prescribed accounting practice.

4. APPRECIATION

The assistance rendered by the staff of the Mangaung Local Municipality during the audit is sincerely appreciated.


B.J.N. van Niekerk
for Auditor-General

Bloemfontein

25 May 2004

ANNEXURE C

**FINANCIAL STATEMENTS OF THE MANGAUNG LOCAL MUNICIPALITY FOR THE
YEAR ENDED 30 JUNE 2003**

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GENERAL INFORMATION

MEMBERS OF THE MAYORAL COMMITTEE

Councillor	J I Mokoena	Executive Mayor - Chairperson
Councillor	F S Chaine	
Councillor	A M Cronje	
Councillor	J C Erasmus	
Councillor	M M Fikizolo	
Councillor	I J Kegakilwe	
Councillor	G L Lefuo	
Councillor	T G Lobe	
Councillor	M E Moilwa	
Councillor	T A Montsi	
Councillor	A T Stander	

GRADING OF LOCAL AUTHORITY

Grade 13 (Grade 5 in terms of Remuneration of Public Office Bearers Act 20/1998)

AUDITORS

Auditor-General
Represented by PricewaterhouseCoopers Inc.

BANKERS

ABSA Bank

REGISTERED OFFICE

Bram Fischer Building	P O Box 288	Telephone : (051) 4058130
De Villiers Street	Bloemfontein	Fax: (051) 4476673
Bloemfontein	9300	

CITY MANAGER

M J Matlole : M.M. - Masters in Management (Wits University)

EXECUTIVE DIRECTOR FINANCE

J F Britz: Registered Municipal Accountant (Associate)

APPROVAL OF THE FINANCIAL STATEMENTS

The annual financial statements as set out on pages 4 to 31 were approved by the City Manager on 10 September 2003 and presented to and approved by Council on 1 April 2004.



M J MATLOLE
CITY MANAGER

10 September 2003



J F BRITZ
EXECUTIVE DIRECTOR FINANCE
(Registered Municipal Accountant)

10 September 2003

FOREWORD

It is my great pleasure to introduce the financial report of the Mangaung Local Municipality for the financial year ended 30 June 2003. This is the third financial year end for the newly established Mangaung Local Municipality consisting of the previous transitional local councils of Bloemfontein, Botshabelo, Thaba Nchu and the former rural councils of the Bloem Area District Municipality.

The sound financial position of Mangaung is reflected in the financial statements. Our strong financial status was confirmed by the credit rating of the Global Credit Rating Agency which awarded an A1 (short term) and A (long term) rating for the Mangaung Local Municipality. A matter of great concern, however, is the escalating debt situation. The financial status of Mangaung and the sustainability of effective service delivery will be dependent on an efficient credit control policy. An income enhancement policy will be adopted in the new financial year to address the accumulated outstanding debt. Strategies will be implemented to encourage residents to pay for the essential services they receive from the Mangaung Municipality.

The financial stability of our city is part and parcel of our vision for the future of Mangaung, namely:

"By 2015 Mangaung is recognised nationally and internationally as a safe and attractive place to live, work and invest.

There are good and accessible basic services for all and a dynamic economy with a high employment rate, many innovative formal and informal businesses and a highly skilled workforce.

Mangaung's citizens have great civic pride, responsibility and strong partnership, ethos, and there is a vibrant cultural life. Citizens participate actively and trust their service providers, who operate with a culture of transparency and accountability.

Mangaung is attractive, safe, clean, green and healthy, and sought after by visitors and investors."

I would like to take this opportunity to thank my fellow councillors and in particular the City Manager and his officials for their support in what we are trying to achieve.

Clr IJ MOKOENA
EXECUTIVE MAYOR

REPORT OF THE EXECUTIVE DIRECTOR FINANCE

FOR THE FINANCIAL YEAR 1 JULY 2002 TO 30 JUNE 2003

1. OPERATING RESULTS

Details of the operating results per department, classification and object of expenditure are included in appendices D and E. The applicable statistics are shown in appendix F. The overall operating results for the year ended 30 June 2003 are as follows :

	ACTUAL 2002	ACTUAL 2003	VARIANCE 2002/2003	BUDGET 2003	VARIANCE ACTUAL/ BUDGET
	R	R	%	R	%
INCOME					
Opening surplus	17 969 513	26 637 285	48.2	17 544 600	51.8
Operating income for the year	896 241 658	1 090 562 959	21.7	1 082 575 870	0.7
	914 211 171	1 117 200 244	22.2	1 100 120 470	1.6
EXPENDITURE					
Operating expenditure for the year	819 134 436	1 043 343 079	27.4	1 097 165 560	(4.9)
Sundry transfer	68 439 450	39 443 361	(42.4)		
Closing surplus	26 637 285	34 413 804	29.2	2 954 910	1 064.6
	914 211 171	1 117 200 244	22.2	1 100 120 470	1.6

1.1 Rate and General Services

	ACTUAL 2002	ACTUAL 2003	VARIANCE 2002/2003	BUDGET 2003	VARIANCE ACTUAL/ BUDGET
	R	R	%	R	%
Income	392 359 702	501 617 264	27.8	504 970 680	(0.7)
Expenditure	382 306 188	522 186 292	36.6	561 420 950	(7.0)
Surplus/(deficit)	10 053 514	(20 569 028)	(304.6)	(56 450 270)	63.6
Surplus/(deficit) as % of total income	2.6	(4.1)		(11.2)	

The actual deficit is R35.9 million less than the budgeted deficit of R56.5 million. This was mainly due to governmental transfers which were not fully utilized in the financial year.

1.2 Housing Service

	ACTUAL 2002	ACTUAL 2003	VARIANCE 2002/2003	BUDGET 2003	VARIANCE ACTUAL/ BUDGET
	R	R	%	R	%
Income	5 866 777	6 248 511	6.5	7 069 380	(11.6)
Expenditure	8 205 767	9 197 418	12.1	9 278 800	(0.9)
Surplus/(deficit)	(2 338 990)	(2 948 907)	(26.1)	(2 209 420)	(33.5)
Surplus/(deficit) as % of total income	(39.9)	(47.2)		(31.3)	

In accordance with the stipulation of the Housing Act (Act 107 of 1997), the net proceeds of the housing schemes must be transferred to the operating account of the Housing Fund. The deficit represents the administration cost to be allocated to the Rate and General Services.

1.3 Trading Services

The purchase prices of water and electricity are subject to administered adjustments by Bloem Water Board and Eskom respectively. The purchase price of purified water increased by approximately 9.66%, and the purchase price of electricity by 8.0% during the 2002/2003 financial year.

Electricity Service

	ACTUAL 2002	ACTUAL 2003	VARIANCE 2002/2003	BUDGET 2003	VARIANCE ACTUAL/ BUDGET
	R	R	%	R	%
Income	345 510 095	380 137 672	10.0	382 325 900	(0.6)
Expenditure	298 317 907	342 102 644	14.7	358 158 820	(4.5)
Surplus/(deficit)	47 192 188	38 035 028	(19.4)	24 167 080	57.4
Surplus/(deficit) as % of total income	13.7	10.0		6.3	

An accumulated surplus of R17,2 million was brought forward from the previous financial year. An amount of R39.9 million will be transferred to the Rate and General Services account as a contribution in relief of rates. The saving on the purchase of electricity in the amount of R7,4 million and savings in general, resulted in an under-expenditure of R16 million or 4,5%. Refer also to note 29.

Produce Market

	ACTUAL 2002	ACTUAL 2003	VARIANCE 2002/2003	BUDGET 2003	VARIANCE ACTUAL/ BUDGET
	R	R	%	R	%
Income	7 898 957	9 632 468	21.9	7 623 950	26.3
Expenditure	6 533 213	7 072 088	8.2	6 901 910	2.5
Surplus/(deficit)	1 365 744	2 560 380	87.5	722 040	254.6
Surplus/(deficit) as % of total income	17.3	26.6		9.5	

The income from commission from market agents was R2 million more than the budgeted amount. The surplus will be transferred to the Rate and General Services.

Water Service

	ACTUAL 2002	ACTUAL 2003	VARIANCE 2002/2003	BUDGET 2003	VARIANCE ACTUAL/ BUDGET
	R	R	%	R	%
Income	144 606 127	192 927 044	33.4	180 585 960	6.8
Expenditure	123 771 361	162 784 637	31.5	161 405 080	0.9
Surplus/(deficit)	20 834 766	30 142 407	44.7	19 180 880	57.1
Surplus/(deficit) as % of total income	14.4	15.6		10.6	

An amount of R14,5 million will be transferred to the Rate and General Services account as a contribution in relief of rates. The income from the sale of water was R11,5 million more than the budgeted amount.

2. CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets during the year amounted to R195 703 126. The actual expenditure is 2.08% less than budgeted for and consists of the following :

	2003 ACTUAL	2003 BUDGET	2002 ACTUAL
	R	R	R
RATE AND GENERAL SERVICES			
Protection Services			
Ambulance and Fire Brigade	1 204 729	655 000	1 096 599
Civil Defence	47 120	71 730	480 960
Traffic Control	1 429 495	1 680 600	1 594 686
Security	462 363	622 630	893 515
Parks and Recreation	7 839 231	7 359 110	3 817 498
City Manager	253 142	280 000	
Secretariate	4 396 895	5 084 500	19 711 591
Health			
Health Services	4 454 094	1 756 000	798 146
Cleansing Service	9 203 304	13 857 500	11 650 479
Personnel Services	4 676 705	4 894 740	1 628 860
Infrastructural Services			
Roads and Stormwater	42 610 195	39 714 770	36 557 312
Sewerage	36 720 869	36 974 970	13 450 284
Administration, Vehicles and Equipment		50 000	320 010
Mechanical Services	62 477	305 000	58 212
Railway Sidings	228 731	239 320	76 044
Finance	124 396	138 120	718 826
Controller of Stores and Buyer	53 554	58 000	216 370
Urban Planning	3 587 168	4 263 000	1 571 537
SUBTOTAL	117 354 468	118 004 990	94 640 929
HOUSING SERVICE	799 578	4 515 270	1 124 039
TRADING SERVICES			
Electricity	56 361 256	58 093 040	51 758 307
Produce Market	1 660 924	1 160 000	702 970
Water	19 526 900	18 082 790	17 938 949
SUBTOTAL	77 549 080	77 335 830	70 400 226
GRAND TOTAL	195 703 126	199 856 090	166 165 194

Resources used to finance the fixed assets were as follows :

	2003 ACTUAL R	2003 BUDGET R	2002 ACTUAL R
Capital Development Fund	134 227 523	138 947 260	136 843 123
Contributions from operating income	4 170 099	3 297 380	1 917 875
Provisions and reserves	7 794 599	7 628 650	12 658 974
Erven Trust Fund	3 297 619	4 888 000	1 527 764
Grants and subsidies	36 076 065	36 729 600	8 841 343
Public contributions	10 137 221	8 365 200	4 376 115
TOTAL	195 703 126	199 856 090	166 165 194

A complete analysis of capital expenditure (budgeted and actual) per department, classification or service is included in appendix C. More details regarding external loans and internal advances used to finance fixed assets are shown in appendix B.

3. EXTERNAL LOANS, INVESTMENTS AND CASH

External loans outstanding on 30 June 2003 amounted to R23 839 385 as set out in appendix B.

Investments on 30 June 2003 amounted to R315 286 205.

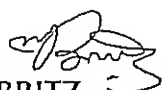
More information regarding loans and investments is disclosed in the notes (4 and 7) and appendix B to the financial statements.

4. FUNDS AND RESERVES

More information regarding funds and reserves is disclosed in the notes (1 to 3) and appendix A to the financial statements.

EXPRESSION OF APPRECIATION

I am grateful to the Mayor, Chairperson and members of the Mayoral Executive Committee, Councillors, the City Manager and Heads of Directorates for the support they have given me and to the staff of my own department, and in particular to the local representatives of the Auditor-General and the firm PricewaterhouseCoopers Inc. appointed by the Auditor-General for their assistance in the preparation of these financial statements.



J F BRITZ
B Com., FIMFO
Registered Municipal Accountant (Associate)
Executive Director Finance
Mangaung Local Municipality

Date : 10 September 2003

ACCOUNTING POLICIES

1. Basis of presentation

- 1.1 The financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Accounting Practice (1996) and Report on Published Annual Financial Statements (Second edition - January 1996).
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for capital expenditure as more fully detailed in paragraph three. The accounting policies are consistent with those applied in the previous year, except as otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis whereas certain direct income is accrued when received, such as traffic fines, pre-paid electricity and certain licences.

2. Consolidation

The balance sheet includes the Rate and General Services, Housing Service, Trading Services and the different funds and reserves. All interdepartmental charges are set off against each other, with the exception of assessment rates, refuse removal, electricity and water, which are treated as income and expenditure in the respective departments.

3. Fixed Assets

3.1 Fixed Assets are stated :

- at historical cost, or
- at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, or
- at valuation on date of transfer/acquisition.

while the assets are in existence and fit for use, except in the case of assets which are written off at the end of their estimated life as determined by the Executive Director Finance. Erven are stated at valuation as recorded in the valuation roll.

- 3.2 Capital outlay is financed from various sources including operating income, Government loans, external loans, contributions by the public and internal advances. The period of internal advances is equated to the lives of the assets that are being financed and the services concerned is being charged interest at the internal interest rate.

3.3 Depreciation

The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this "provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through :

- Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income.

- Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account, and therefore it is unnecessary to make any further provision for depreciation.

3.4 The net proceeds on the sale of immovable property are credited to the Erven Trust Fund.

The net proceeds on the sale of movable property are :

- credited to the Capital Development Fund if it amounts to R1 000 or more.
- credited to income if it amounts to less than R1 000.

4. Inventory

Inventory is valued at the lower of cost, determined on the weighted average basis, and net realisable value.

5. Funds, Reserves and Provisions

5.1 Reserves and provisions have been established where considered necessary. The basis used in determining contributions to these funds is as follows :

(a) Replacement Funds

- (i) Electricity Service - ½ % of the capitalised value of the assets in the undertaking concerned at the end of the previous financial year.
- (ii) Water Service - 1 % of the capitalised value of the assets in the undertaking concerned at the end of the previous financial year.

(b) Capital Development Funds

Not less than 1 % of the defined annual income.

(c) Insurance Fund

An insurance reserve has been established to cater for losses not covered in the external policy. The contributions are provided as estimated by the Council's Insurance Brokers and are charged against the various services.

The following risks are insured under the reserve fund:

- Business all risk
- Glass
- Business interruption, and
- Motor fleet

(d) The policies for funds and reserves as compiled and approved by Council, are available at the department of the Executive Director Finance.

(e) Leave-pay Provision

An estimated amount is transferred annually to the leave-pay provision. It is the policy of the Council to carry a provision of not less than 25 % of the outstanding amount.

6. Surpluses and Deficits

The policy with regard to trading surpluses and deficits is :

- | | | |
|----------------------|---|---|
| Electricity Services | - | A maximum of 15% of the gross income derived from the sale of electricity is appropriated as a contribution towards the relief of rates. The balance is carried forward to the next financial year. |
| Produce Market | - | The surplus is transferred to Rate and General Services as a contribution towards the relief of rates. |
| Water Service | - | A maximum of 15% of the gross income derived from the sale of water is appropriated as a contribution towards the relief of rates. The balance is carried forward to the next financial year. |

7. Treatment of administration and other overhead expenses

Administration expenses are charged to the various services on a sliding scale based on the expenditure of the relevant department.

8. Leased Assets

Fixed assets held under finance leases are capitalised. Such assets are effectively amortised over the term of the lease agreement.

Lease finance charges are allocated to accounting periods over the duration of the leases, which reflects the extent and cost of lease finance utilised in each accounting period.

9. Investments

Investments are shown in the statements at original cost or market value if a permanent decline in the value occurred and are invested in the securities prescribed in Section 84 of Ordinance 8 of 1962 and Section 10 G(9)(a) of the Local Government Transition Act of 1993, as amended.

10. Income Recognition

10.1 Electricity and Water billings

Meters on properties are read and billed monthly.

10.2 Pre-paid electricity

Income is accrued when the cash is received

10.3 Assessment Rates

Mangaung Local Municipality applies a differential partial site rating system. In terms of this system the assessment rates are levied partly on the municipal valuation of the ratable property without any improvements and partly on the municipal valuation of the improvements forming part of the ratable property.

11. Retirement Benefits

Mangaung Local Municipality, its employees and councillors contribute to the following pension- or provident funds :

- Free State Municipal Pension Fund
- SALA Pension Fund
- Municipal Councillor's Pension Fund
- Free State Municipal Provident Fund
- SAMWU National Provident Fund
- Mangaung Multi Provident Fund

These funds provide retirement benefits to employees and councillors and are subject to the Pension Funds Act, 1956. Benefits are being calculated according to the different funds' rules. Current contributions are charged against operating income.

Actuarial valuations are performed by the relevant pension funds at least every three years.

12. Medical Aid Funds

Mangaung Local Municipality, its employees and pensioners contribute to the following medical aid funds.

- Fedsure
- Bonitas Medical Fund
- Pro Sano Medical Aid Scheme
- Sanmed
- Free State Municipal Medical Scheme

Benefits are being calculated according to the rules of the different funds. Current contributions are charged against operating income.

BALANCE SHEET AT 30 JUNE 2003

	<u>Note</u>	2003 R	2002 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES			
Statutory Funds	1	932 876 712	835 426 733
Reserves	2	185 324 776	165 390 724
RETAINED SURPLUS	18	24 117 586	24 246 343
		1 142 319 074	1 025 063 800
ACCUMULATED HOUSING FUND			
Operating account	27	76 704 330	77 559 956
TRUST FUNDS	3	5 679 379	5 044 176
LONG TERM LIABILITIES	4	21 752 095	23 802 672
CONSUMER DEPOSITS - SERVICES	5	32 720 372	28 848 228
		1 279 175 250	1 160 318 832
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	6	636 189 883	565 114 673
INVESTMENTS	7	5 422	4 787
LONG TERM DEBTORS	8	48 765 667	38 344 604
DEFERRED CHARGES	11	-	8 304 637
		684 960 972	611 768 701
NET CURRENT ASSETS		594 214 278	548 550 131
CURRENT ASSETS			
Stock	9	834 640 918	767 744 202
Debtors	10	23 881 489	18 028 126
Short-term investments	7	402 006 114	408 711 016
Short-term portion of long-term debtors	8	315 280 783	283 793 377
Cash and Bank	8	18 810 071	16 031 223
		74 662 461	41 180 460
CURRENT LIABILITIES			
Provisions	12	240 426 640	219 194 071
Creditors	13	14 476 961	13 322 763
Short-term portion of long-term liabilities	4	223 862 389	204 762 702
		2 087 290	1 108 606
		1 279 175 250	1 160 318 832

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2003

2002	2002	2002		2003	2003	2003	2003
ACTUAL INCOME	ACTUAL EXPEN- DITURE	SURPLUS/ (DEFICIT)		ACTUAL INCOME	ACTUAL EXPEN- DITURE	SURPLUS/ (DEFICIT)	BUDGET SURPLUS/ (DEFICIT)
R	R	R		R	R	R	R
392 359 702	382 306 108	10 053 514	RATE AND GENERAL SERVICES	501 617 264	522 186 292	(20 569 028)	(56 450 270)
269 604 453	212 961 329	56 643 124	Community Services	372 132 212	329 774 603	42 357 609	10 070 430
12 787 765	79 579 123	(66 791 358)	Subsidised Services	13 505 611	86 706 547	(73 200 936)	(74 184 350)
109 967 484	89 765 736	20 201 748	Economic Services	115 979 441	105 705 142	10 274 299	7 663 650
5 866 777	8 205 767	(2 338 990)	HOUSING SERVICES	6 248 511	9 197 418	(2 948 907)	(2 209 420)
498 015 179	428 622 481	69 392 698	TRADING SERVICES	582 697 184	511 959 369	70 737 815	44 070 000
896 241 658	819 134 436	77 107 222	TOTAL	1 090 562 959	1 043 343 079	47 219 880	(14 589 690)
73 660 410	79 527 682	(5 867 272)	Distribution, Suspense and Quarry Accounts	65 215 586	73 120 862	(7 905 276)	(3 449 410)
		(68 439 450)	Appropriations for the year (Refer to note 18)			(39 443 361)	
		2 800 520	Net surplus/(deficit) for the year			(128 757)	
		21 445 823	Accumulated surplus/ (deficit) beginning of the year			24 246 343	
		24 246 343	ACCUMULATED SURPLUS/(DEFICIT) END OF THE YEAR			24 117 586	

Refer to appendix D, E and E(i) for more detail

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2003

		2003	2002
		R	R
	Note		
CASH RETAINED FROM OPERATING ACTIVITIES		261 745 061	202 795 654
Cash generated by operations	19	61 048 646	179 842 336
Investment income	17	54 548 853	39 612 407
(Increase)/decrease in working capital	20	100 360 293	(29 048 064)
		215 957 792	190 406 679
<u>Less: External interest paid</u>	17	(426 017)	(500 325)
Cash available from operations		215 531 775	189 906 354
Cash contributions from the public and State		46 213 286	12 889 300
 CASH UTILISED IN INVESTING ACTIVITIES			
Investment in fixed assets	6	(195 703 126)	(166 165 194)
NET CASH FLOW		<u>66 041 935</u>	<u>36 630 460</u>
 CASH EFFECTS OF FINANCING ACTIVITIES :			
Increase/(decrease) in long-term loans	21	(1 071 893)	(967 437)
(Increase)/decrease in cash investments	22	(31 488 041)	(30 103 710)
(Increase)/decrease in cash	23	(33 482 001)	(5 559 313)
NET CASH (GENERATED)/UTILIZED		<u>(66 041 935)</u>	<u>(36 630 460)</u>

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2003

	2003 R	2002 R
1. STATUTORY FUNDS		
Capital Development Fund	850 203 450	766 976 337
Redemption Fund	900 000	900 000
Insurance Fund	64 060 439	56 254 375
Erven Trust Fund	17 712 823	11 296 021
(Refer to note 26 and appendix A for more detail)	<u>932 876 712</u>	<u>835 426 733</u>
2. RESERVES		
PROTECTION SERVICES		
Disaster Management	3 557 247	3 188 013
Parking Fund	3 853 351	3 566 262
PARKS AND RECREATION		
Tennis Court Surface Renewal Fund	2 182 584	1 940 903
INFRASTRUCTURAL SERVICES		
Vehicles and Plant - Maintenance	347 916	309 391
GRAVEL QUARRIES		
General Reserve	816 529	783 261
SPECIAL AND SUNDRY RESERVES		
Market Deficit	1 742 835	1 549 848
Workmen's Compensation Act	14 926 302	12 474 826
Student Bursaries	789 035	759 346
Capital Reserve	2 350 499	9 123 607
Stores Contingencies Account	14 079 709	11 815 329
General Reserve - Petra Quarry	6 307 669	5 609 211
ELECTRICITY SERVICE		
Tariff Stabilisation Fund	25 820 751	22 961 579
Electrification - Greater Bloemfontein	25 997 799	15 505 655
Replacement Fund - Distribution Urban Area	25 413 119	25 772 302
Vehicles and Plant - Maintenance	2 899 101	2 774 122
Maintenance Reserve	1 753 842	1 559 636
Botshabelo Reserve	20 319 303	18 069 315
WATER SERVICE		
Tariff Stabilisation Fund	19 109 321	16 993 316
Replacement Fund - General Mains, etcetera	13 057 864	10 634 802
(Refer to appendix A for more detail)	<u>185 324 776</u>	<u>165 390 724</u>

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2003 (Continued)

	2003 R	2002 R
3. TRUST FUNDS		
Cultural Fund	120 133	106 830
The Tomory Bequest	9 035	
Alfred Leith Non-European Endowment Fund	2 043	2 043
R T B de Villiers Trust	278 331	247 511
A E Fichardt Trust	5 090 459	4 528 277
Coloured Old Age Home (OVV)	39 906	35 487
Relief fund : Home for Coloureds	117 400	104 400
Johan Ströhfeldt Trust	22 072	19 628
(Refer to appendix A for more detail)	<u>5 679 379</u>	<u>5 044 176</u>
4. LONG TERM LIABILITIES		
Local Registered Stock :		
@ 11,30% Loan No 8 2003	900 000	900 000
Government Loans	420 441	502 310
Development Bank of Southern Africa	<u>22 518 944</u>	<u>23 508 968</u>
	23 839 385	24 911 278
(Refer to appendix B for more detail on long term liabilities)		
Less : Current portion transferred to Current Liabilities	2 087 290	1 108 606
Local Registered Stock	900 000	
Government Loans	90 260	81 869
Development Bank of Southern Africa	<u>1 097 030</u>	<u>1 026 737</u>
	<u>21 752 095</u>	<u>23 802 672</u>
The above loans were advanced for infrastructural projects. They bear interest at rates from 8.50 % to 17.25% per annum and are repayable over periods of between twenty and thirty years. The final dates of repayment vary from 30 September 2003 to 31 December 2015.		
None of the loans are secured by any assets of the Council.		
5. CONSUMER DEPOSITS - SERVICES		
Electricity and water	<u>32 720 372</u>	<u>28 848 228</u>
Guarantees held in lieu of electricity and water deposits	<u>8 652 205</u>	<u>8 027 962</u>
FIXED ASSETS		
Fixed assets at the beginning of the year	2 259 289 000	2 038 052 252
Capital expenditure during the year	195 703 126	166 165 194
Assets written off, transferred or disposed of during the year	<u>(40 193 934)</u>	<u>55 071 554</u>
Total fixed assets	2 414 798 192	2 259 289 000
Less : Loans redeemed and other capital receipts	<u>(1 778 608 309)</u>	<u>(1 694 174 327)</u>
Net fixed assets	<u>636 189 883</u>	<u>565 114 673</u>
(Refer to appendix C and section 2 of the Report of the Executive Director Finance for more detail on fixed assets)		

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2003 (Continued)

	2003 R	2002 R
7. INVESTMENTS		
Unlisted		
Senwes Ltd Shares	2 622	1 987
OVK Holdings Ltd	2 800	2 800
	<u>5 422</u>	<u>4 787</u>
Short term	315 280 783	283 793 377
	<u>315 286 205</u>	<u>283 798 164</u>
Management valuation of unlisted investments	<u>315 286 205</u>	<u>283 798 164</u>
Average rate of return on investments	12.45%	13.15%
The Ordinance of the Free State (No 8 of 1962) and the Local Government Transition Act (No 209 of 1993) requires local authorities to invest funds, whether held in trust or otherwise, in prescribed securities.		
Included in investments, is an amount of R374 927, being the balance of an investment at an institution currently under receivership.		
An investment of R4 000 000 is pledged as security to the Commissioner of the Workmen's Compensation Fund to guarantee the payment of claims in respect of accidental injuries while on duty.		
No investments have been written off during the year.		
8. LONG TERM DEBTORS		
Loans to Local Authorities	5 766 422	0
Housing Loans to Individuals and Public Organisations	25 787 861	24 338 322
Mortgage Bonds to Employees	1 879 743	2 232 579
Car loans	20 648 644	18 023 083
Study loans	779 809	669 024
Erven Trust	12 713 259	9 112 819
	<u>67 575 738</u>	<u>54 375 827</u>
	(18 810 071)	(16 031 223)
Less: Short-term portion of long-term debtors transferred to current assets	<u>48 765 667</u>	<u>38 344 604</u>
	<u>23 881 489</u>	<u>18 028 126</u>
9. STOCK		
Stock represents consumable stores, raw materials, work in progress and finished goods. Where necessary specific provision is made for obsolete stock.		
10. DEBTORS		
Current debtors (consumer and other)	519 698 980	616 140 717
Provision for bad debts	(117 692 866)	(207 429 701)
	<u>402 006 114</u>	<u>408 711 016</u>
Amounts totaling R149 419 906 (2002 : R4 075 783) in respect of old debts to comply with current principles of free services to inhabitants were written off as bad debts. This represents 13,70% (2002: 0,46%) of the total operating income for the year. Days outstanding in debtors amount to 230 days (2002: 307 days)		
11. DEFERRED CHARGES		
Assets written off	<u>0</u>	<u>8 304 637</u>
Deferred charges represent the balance of the loans outstanding when assets are written off. In accordance with the standards laid down by the Institute of Municipal Finance Officers such loans should be written off in total by way of an additional capital redemption. The amount outstanding on 30 June 2002 has been written off in the 2002/2003 financial year.		
12. PROVISIONS		
Leave Pay	<u>14 476 961</u>	<u>13 322 763</u>

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2003(Continued)

	2003 R	2002 R
13. CREDITORS		
Trade Creditors and other	223 471 258	204 409 387
Deposits	391 131	353 315
	<u>223 862 389</u>	<u>204 762 702</u>

14. ASSESSMENT RATES

	SITE VALUATIONS AS AT 1 JULY 2002	ACTUAL INCOME 2003	ACTUAL INCOME 2002
Residential and Commercial	10 849 730 246	163 824 010	141 535 687
State	1 526 153 050	15 585 608	14 725 726
Municipal	1 331 341 282	2 213 001	2 110 597
		<u>181 622 619</u>	<u>158 372 010</u>

GREATER BLOEMFONTEIN

valuations are performed at least every three years.

The last general valuation in the Greater Bloemfontein came into effect on 1 July 1999.

The basic rates were as follows :

General assessment rates

- (a) 6,80c per rand on the value of rateable property without any improvements.
- (b) 0,616c per rand on the value of improvements.

A rebate of 40% is granted on rateable properties, which are used solely for dwelling purposes (including town houses and flats). A rebate of 100% is applicable on the Bloemindustria industrial area.

THABA NCHU

The last general valuation in Thaba Nchu came into effect on 1 July 1994

The basic rates were as follows:

General assessment rates

- (a) Residential: 2,29c per Rand on the total value of rateable property
- (b) Commercial: 2,41c per Rand on the total value of rateable property
- (c) Pensioners: 2,16c per Rand on the total value of rateable property

15. COUNCILLORS' REMUNERATION

Mayor's allowances	372 424	305 892
Speaker's allowances	306 297	250 351
Councillor's allowances	4 377 737	5 528 043
Mayoral Committee allowances	2 901 850	2 366 260
Councillors' pension contributions	870 750	793 762
	<u>8 829 058</u>	<u>9 244 308</u>

16. AUDITORS' REMUNERATION

Audit fees		
- Current year	1 594 620	1 476 500
- Under provision prior year	-	557 809
	<u>1 594 620</u>	<u>2 034 309</u>

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2003 (Continued)

	2003 R	2002 R
17. FINANCE TRANSACTIONS		
Total external interest earned or paid :		
Interest earned	54 548 853	39 612 407
Interest paid	426 017	500 325
Capital charges debited to operating and distribution accounts :		
Interest :		
External	426 017	500 325
Internal	59 485 686	48 890 497
Redemption :		
External	1 071 893	967 437
Internal	44 668 187	35 958 359
	<u>105 651 783</u>	<u>86 316 618</u>
18. APPROPRIATIONS		
<u>Appropriation Account</u>		
Accumulated surplus/(deficit) at the beginning of the year :	24 246 343	21 445 823
- Operating account	26 637 285	17 969 513
- Distribution, Suspense and Quarry accounts	(2 390 942)	3 476 310
Operating surplus/(deficit) for the year	39 314 604	71 239 970
- Operating account	47 219 880	77 107 222
- Distribution, Suspense and Quarry accounts	(7 905 276)	(5 867 252)
Appropriations for the year :	(39 443 361)	(68 439 450)
- Contributions to : Workmen's Compensation Fund	(2 000 000)	(10 000 000)
Leave-pay Reserve	(2 000 000)	(2 000 000)
Provision for Bad Debts	(53 000 000)	(62 000 000)
- Prior year adjustments: Adjustments Thaba Nchu / Botshabelo	2 062 858	4 961 517
Purchase of electricity	16 039 250	(5 261 010)
Loan charges Bloemindustria written off	-	8 127 492
Other	(545 469)	(2 267 449)
Accumulated surplus/(deficit) at the end of the year	24 117 586	24 246 343
- Operating account	34 413 804	26 637 285
- Distribution, suspense and Quarry accounts	(10 296 218)	(2 390 942)

The above results have been achieved after the following contributions have been made :

Operating Account

Capital expenditure	2 751 031	1 833 755
Contribution to :		
Replacement provision		
- Electricity	2 625 313	2 369 091
- Water	2 253 059	2 042 229
Capital Development Fund	21 686 289	17 754 532
Leave - Pay Reserve	942 210	893 270
Parking Fund	285 580	21 395
Housing Fund	74 296	158 463
Bad debts provision	2 004 390	1 952 020
	<u>32 622 168</u>	<u>27 024 755</u>

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2003 (Continued)

	2003 R	2002 R
19. CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for year	39 314 604	71 239 970
Adjustments in respect of : Previous years' operating transactions and contributions	(39 443 361)	(68 439 450)
Appropriations charged against income :	91 041 236	101 493 096
- Capital development fund	21 686 289	17 754 532
- Provisions and reserves	65 184 848	81 492 531
- Fixed Assets	4 170 099	2 246 033
Capital Charges :	105 651 783	86 316 618
Interest paid :		
- to internal funds	59 485 686	48 890 497
- on external funds	426 017	500 325
Redemption :		
- of internal advances	44 668 187	35 958 359
- of external borrowings	1 071 893	967 437
Investment income (operating account)	(21 122 617)	(17 837 754)
Non-operating income :		
Net income from Provisions, Reserves and Trust Funds	43 408 360	23 832 863
Non-operating expenditure :		
Expenditure charged against Provisions, Reserves and Trust Funds	(157 801 359)	(16 763 007)
	<u>61 048 646</u>	<u>179 842 336</u>
20. (INCREASE)/DECREASE IN WORKING CAPITAL		
(Increase)/decrease in stock	(5 853 363)	(2 559 516)
(Increase)/decrease in debtors	83 241 826	(131 709 512)
Increase/(decrease) in creditors	22 971 830	105 220 964
	<u>100 360 293</u>	<u>(29 048 064)</u>
21. INCREASE/(DECREASE) IN LONG-TERM LOANS (EXTERNAL)		
Loans raised		
Loans repaid	(1 071 893)	(967 437)
	<u>(1 071 893)</u>	<u>(967 437)</u>
22. (INCREASE)/DECREASE IN EXTERNAL CASH INVESTMENT		
Investment realised	65 511 959	53 396 290
Investment made	(97 000 000)	(83 500 000)
	<u>(31 488 041)</u>	<u>(30 103 710)</u>
23. (INCREASE)/DECREASE IN CASH ON HAND		
Cash balance at the beginning of the year	41 180 460	35 621 147
Less: Cash balance at the end of the year	74 662 461	41 180 460
	<u>(33 482 001)</u>	<u>(5 559 313)</u>

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2003 (Continued)

	2003 R	2002 R
24. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS		
Guarantees by Council in respect of housing loans at financial institutions for officials	6 339 672	— 6 308 851
Leave pay outstanding as at 30 June 2003 amounts to R26 632 236, whereas the provision amounts to R14 476 961. It is the policy of the Council to carry a provision of not less than 25% of the outstanding amount.		
The following pending claims exist against the council:		
— R290 000 for the expropriation of a smallholding by the former council of Bainsvlei		
— R150 000 for a claim in respect of the utilization of funds from the Local Economic Development Fund (LEDF).		
— R80 000 for claims regarding labour disputes.		
— R275 000 for damages to vehicle		
— R85 000 for animals which have died		
25. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure approved and contracted for	19 384 390	22 903 810
This expenditure will be financed from :		
- Internal Sources	17 639 780	19 737 570
- External Sources	1 744 610	3 166 240
Subsidies Government	19 384 390	22 903 810
26. CAPITAL DEVELOPMENT FUND		
Accumulated Fund	850 203 450	766 976 337
Less :	(700 155 485)	(589 712 958)
External investments	47 961 634	9 653 734
Debtors	39 843 353	31 551 192
Internal advances (See appendix B for more detail)	612 350 498	548 508 032
Applied as operating capital	150 047 965	177 263 379
27. HOUSING OPERATING ACCOUNT		
The operating account of the Housing Fund was established in terms of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998. Refer to Annexure E (ii) for more detail.		
28. RETIREMENT BENEFITS		
The actuarial valuations of the funds, as mentioned in the accounting policies, could not be obtained.		
29. POST BALANCE SHEET EVENT		
Council resolved in principle that a new company, Mangaung Electricity (Pty) Ltd of which Mangaung Local Municipality will be the sole share holder, would be formed to take over all activities in respect of the supply of electricity. The income derived from this activity will revert to the newly established business. All assets, including certain of the debtors of the electricity department will be taken over by the newly formed company. The income formerly derived from this activity will be replaced by interest to be received on a loan account.		

APPENDIX A

STATUTORY FUNDS, TRUST FUNDS AND RESERVES

	BALANCE AT 30/6/2002	CONTRI- BUTIONS DURING THE YEAR	INTEREST ON INVEST- MENTS	OTHER INCOME	OPERA- TING EXPENDI- TURE DURING THE YEAR	CAPITAL EXPENDI- TURE DURING THE YEAR	BALANCE AT 30/6/2003
	R	R	R	R	R	R	R
STATUTORY FUNDS							
Capital Development Fund	766 976 337	21 686 289	82 054 432		20 513 608		850 203 450
Insurance Fund	56 254 375		7 004 785	1 513 679	712 400		64 060 439
Erven Trust Fund	11 296 021		1 212 190	9 161 880	659 657	3 297 619	17 712 823
Redemption Fund	900 000						900 000
	835 426 733	21 686 289	90 271 407	10 675 567	21 885 665	3 297 619	932 876 712
RESERVES							
PROTECTION SERVICES							
Disaster Management	3 188 013		396 971		27 737		3 557 247
Parking Fund	3 566 262		444 070	289 718		446 699	3 853 351
PARKS AND RECREATION							
Tennis Court Surface Renewal Fund	1 940 903		241 681				2 182 584
INFRASTRUCTURAL SERVICES							
Vehicles and Plant - Maintenance	309 391		38 525				347 916
QUARRIES GRAVEL							
General Reserve	783 261	45 480	97 531		109 743		816 529
SPECIAL AND SUNDRY RESERVES							
Market Deficit	1 549 848		192 987				1 742 835
Workmen's Compensation Fund	12 474 826	2 271 690	1 553 363		1 373 577		14 926 302
Student Bursaries	759 346		94 554		64 865		789 035
Capital Reserve	9 123 607		1 136 070		7 909 178		2 350 499
General Reserve - Petra Quarry	5 609 211		698 458				6 307 669
Stores Contingencies Account	11 815 329		1 471 243	898 421	105 284		14 079 709
ELECTRICITY SERVICE							
Tariff Stabilisation Fund	22 961 579		2 859 172				25 820 751
Electrification - Greater Bloemfontein	15 505 655		1 930 762	8 561 382			25 997 799
Replacement Fund - Distribution Urban Area	25 772 302	2 625 313	3 209 163			6 193 659	25 413 119
Vehicles and Plant - Maintenance	2 774 122		345 433		220 454		2 899 101
Maintenance Reserve	1 559 636		194 206				1 753 842
Botshabelo Reserve	18 069 315		2 249 988				20 319 303
WATER SERVICE							
Tariff Stabilisation Fund	16 993 316		2 116 005				19 109 321
Replacement Fund - General Mains etc.	10 634 802	2 253 059	1 324 244			1 154 241	13 057 864
	165 390 724	7 195 542	20 594 426	9 749 521	9 010 838	7 794 599	185 324 776
TRUST FUNDS							
Cultural Fund	106 830		13 303				120 133
The Tomory Bequest				9 035			9 035
Alfred Lethi Non-European Endowment Fund	2 043		254		254		2 043
R T B De Villiers Trust	247 511		30 820				278 331
A E Fichardt Trust	4 528 277		563 861		1 679		5 090 459
Coloured Old Age Home (OVV)	35 487		4 419				39 906
Relief Fund : Home for Coloureds	104 400		13 000				117 400
Johan Ströhfeldt Trust	19 628		2 444				22 072
	5 044 176	-	628 101	9 035	1 933	-	5 679 379
	1 005 861 633	28 881 831	111 493 934	20 434 123	31 698 436	11 092 218	1 123 880 867

APPENDIX B

EXTERNAL LOANS AND INTERNAL ADVANCES

	BALANCE AT 30/6/2002	RECEIVED DURING THE YEAR	REDEEMED OR WRITTEN OFF DURING THE YEAR	BALANCE AT 30/6/2003
	R	R	R	R
EXTERNAL LOANS				
Local Registered Stock Issued Loan number Redeemable 1988 @ 11,30% 8 2003	900 000			900 000
Government Loans Bophuthatswana	502 310		81 869	420 441
Development Bank of Southern Africa	23 508 968		990 024	22 518 944
	<u>24 911 278</u>		<u>1 071 893</u>	<u>23 839 385</u>
INTERNAL ADVANCES TO BORROWING SERVICES				
Capital Development Fund	<u>548 508 032</u>	<u>134 227 523</u>	<u>70 385 057</u>	<u>612 350 498</u>
(Refer to note 26)				

APPENDIX C

ANALYSIS OF FIXED ASSETS

EXPEN- DITURE 2001/2002	SERVICE	BUDGET 2002/2003	BALANCE AT 30/6/2002	EXPEN- DITURE 2002/2003	WRITTEN OFF, TRANS- FERRED, REDEEMED OR DISPOSED OF DURING THE YEAR	BALANCE AT 30/6/2003
R		R	R	R	R	R
94 640 930	RATE AND GENERAL SERVICES	118 004 990	1 448 935 007	117 354 468	28 639 838	1 537 649 637
56 120 701	Community Services	54 605 910	462 243 245	59 032 892	49 318 007	471 958 130
480 960	Protection Services :		106 741			106 741
893 515	Administration	71 730	2 535 425	47 120	92 028	2 490 517
1 594 686	Civil Defence	622 630	7 920 457	462 363	827	8 381 993
3 519	Security	1 680 600	11 560 931	1 429 495	341 104	12 649 322
1 069 386	Traffic Control	410 000	389 803	565 076	158 347	796 532
10 349 688	Parks Administration					
798 146	Secretariate :					
1 628 860	Administration	180 000	2 508 801	529 969	5 242	3 033 528
320 010	Council's General Expenses	280 000	41 153 234	255 103	38 973 206	2 435 131
36 557 312	Health Services	1 756 000	5 899 623	4 454 094	(125 781)	10 353 717
76 044	Personnel	4 894 740	4 077 374	4 676 705	(30 483)	8 784 562
718 826	Infrastructure Services :					
58 212	Administration		3 143 959	1 230 661	8 691	4 365 929
1 571 537	Roads and Stormwater	39 764 770	341 962 525	41 379 534	10 480 407	372 861 652
	Railway Sidings	239 320	228 487	228 731		1 311 218
	Finance	138 120	10 602 109	124 396	(1 005 540)	10 852 286
	Mechanical Services	305 000	10 095 357	62 477	419 959	11 163 374
	Urban Planning	4 263 000	19 204 419	3 587 168		22 371 628
13 203 096	Subsidised Services	12 508 610	741 075 643	12 343 849	(22 421 557)	775 841 049
1 096 599	Ambulance and Fire Brigade	655 000	14 470 435	1 204 729	123 927	15 551 237
1 058 815	Parks and Recreation :					
506 214	Cemeteries	1 644 000	7 000 723	2 109 358	598 381	8 511 700
1 357 789	Zoo and Nature Conservation	621 000	7 020 531	660 000	3 410	7 677 121
759 635	Airport		2 362 550			2 362 550
131 526	Parks and Public Grounds	3 123 110	23 961 573	2 437 277	(215 483)	26 614 333
	Recreational Facilities	961 000	38 949 408	1 411 318	25 031	40 335 695
	Stadium				(49 075 060)	49 075 060
	Swimming Baths	600 000	11 011 452	656 202	(27 400)	11 695 054
	Secretariate :					
328 832	Miscellaneous Properties	200 000	519 985 563	154 838	26 206 804	493 933 597
7 288 600	Library Services	334 500	5 609 807	327 409	30 867	5 906 349
675 086	Civil Buildings	3 114 000	99 993 558	2 749 813	(87 734)	102 831 105
	Civic Theatre		1 058 300		(4 300)	1 058 300
	Rural Areas	1 256 000	9 651 743	632 905		10 288 946
25 317 133	Economic Services	50 890 470	245 616 119	45 977 727	1 743 388	289 850 458
216 370	Controller of Stores	58 000	3 095 393	53 554	95 491	3 053 456
11 650 479	Sanitary and Night Soil	13 857 500	50 245 560	9 203 304	(58 161)	59 507 025
13 450 284	Sewerage	36 974 970	188 303 039	36 720 869	909 909	224 113 999
	Petra Quarry		3 972 127		796 149	3 175 978

APPENDIX C (Continued)

ANALYSIS OF FIXED ASSETS

EXPEN- DITURE 2001/2002	SERVICE	BUDGET 2002/2003	BALANCE AT 30/6/2002	EXPEN- DITURE 2002/2003	WRITTEN OFF, TRANS- FERRED, REDEEMED OR DISPOSED OF DURING THE YEAR	BALANCE AT 30/6/2003
R		R	R	R	R	R
1 124 039	HOUSING SERVICES	4 515 270	33 211 326	799 578	395 993	33 614 911
1 124 039	Housings Schemes	4 515 270	33 211 326	799 578	395 993	33 614 911
70 400 225	TRADING SERVICES	77 335 830	777 142 667	77 549 080	11 158 103	843 533 644
51 758 306	Electricity	58 093 040	525 062 593	56 361 256	2 948 835	578 475 014
702 970	Produce Market	1 160 000	19 098 551	1 660 924	58 543	20 700 932
17 938 949	Transport		7 675 621		7 675 621	0
	Water	18 082 790	225 305 902	19 526 900	475 104	244 357 698
166 165 194	TOTAL FIXED ASSETS	<u>199 856 090</u>	2 259 289 000	195 703 126	40 193 934	2 414 798 192
29 322 071	LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS		1 694 174 327	61 475 603	(22 958 379)	1 778 608 309
<u>136 843 123</u>	NET FIXED ASSETS		<u>565 114 673</u>	<u>134 227 523</u>	<u>63 152 313</u>	<u>636 189 883</u>

APPENDIX D

ANALYSIS OF OPERATING INCOME AND EXPENDITURE

FOR THE YEAR ENDED 30 JUNE 2003

ACTUAL 2002		ACTUAL 2003	BUDGET 2003
R		R	R
	INCOME		
	Grants and Subsidies		
79 896 004	- Central Government	154 013 203	149 613 590
33 447 728	- Regional Government	36 564 833	36 562 580
	Operating Income		
158 372 010	- Assessment rates	181 622 619	181 828 310
344 286 603	- Sale of electricity	365 071 217	361 300 180
127 216 104	- Sale of water	171 258 868	159 731 440
153 023 209	- Other	182 032 219	193 539 770
<u>896 241 658</u>		<u>1 090 562 959</u>	<u>1 082 575 870</u>
	EXPENDITURE		
266 058 256	Salaries, wages and allowances	312 982 707	312 316 670
	General expenses		
177 094 715	- Purchase of electricity	212 566 526	220 000 000
78 359 634	- Purchase of water	108 134 332	112 459 820
148 194 761	- Other expenses	236 168 246	286 061 490
83 820 740	Repairs and maintenance	86 140 421	91 117 300
84 433 225	Capital charges	103 531 798	101 063 390
1 833 755	Contribution to fixed assets	2 751 031	2 601 880
25 191 001	Contributions	29 871 137	27 271 250
864 986 087	Gross expenditure	1 092 146 198	1 152 891 800
45 851 651	Less : Amounts charged out	48 803 119	55 726 240
<u>819 134 436</u>	Net expenditure	<u>1 043 343 079</u>	<u>1 097 165 560</u>

APPENDIX E

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2003

2002 ACTUAL INCOME	2002 ACTUAL EXPEN- DITURE	2002 SURPLUS/ (DEFICIT)		2003 ACTUAL INCOME	2003 ACTUAL EXPEN- DITURE	2003 SURPLUS/ (DEFICIT)	2003 BUDGET SURPLUS/ (DEFICIT)
R	R	R		R	R	R	R
392 359 702	382 306 188	10 053 514	RATE AND GENERAL SERVICES	501 617 264	522 106 292	(20 569 028)	(56 450 270)
269 604 453	212 961 339	56 643 124	Community Services	372 132 212	329 774 603	42 357 609	10 070 430
158 372 010		158 372 010	Assessment Rates	181 622 619		181 622 619	181 828 310
917	952 297	(951 380)	Protection Services	872	921 698	(920 826)	(1 061 000)
876 654	3 233 845	(2 357 191)	- Administration	1 137 554	3 508 769	(2 371 215)	(2 068 690)
1 375 131	14 507 467	(13 311 336)	- Civil Defence	1 572 759	17 444 692	(15 871 933)	(15 361 700)
4 678 961	12 720 653	(8 041 692)	- Security	4 391 307	14 179 701	(9 788 394)	(7 231 030)
			- Traffic Control				
9 122	1 616 257	(1 607 135)	Parks and Recreation	6 472	1 921 503	(1 915 031)	(1 731 440)
	1 496 685	(1 496 685)	- Administration				
			Executive Office		1 757 755	(1 757 755)	(1 965 660)
			- City Manager		3 326 762	(3 326 762)	(2 719 990)
			- Office of the Mayor		2 416 035	(2 416 035)	(3 089 970)
			- Office of the Speaker				
			Executive Directors - Administration				
			- Strategy and Transformation	14	4 538 629	(4 538 615)	(5 604 260)
			- Corporate Services		503 561	(503 561)	0
			- Infrastructural Services	44	484 383	(484 339)	0
			- Community and Social Development		901 075	(901 075)	0
			Secretariate				
1 537 957	14 677 769	(13 139 812)	- Administration	1 731 470	15 531 206	(13 799 728)	(12 004 730)
115 787	13 384 148	(13 384 148)	- Council's General Expenses		14 401 388	(14 401 388)	(13 833 400)
10 758	11 799 446	(11 683 659)	Personnel Services	321 566	14 711 045	(14 389 479)	(14 750 680)
8 601 716			Medical Officer of Health				
	1 322 416	(1 311 658)	- Administration	161 367	1 561 445	(1 400 078)	(1 436 100)
	19 652 436	(11 050 720)	- Health Services	8 405 186	21 708 209	(13 303 023)	(14 828 490)
1 969	1 504 001	(1 502 032)	Infrastructural Services	1 750	1 678 977	(1 677 227)	(1 603 570)
145 531	802 325	(656 794)	- Administration	43 773	557 074	(513 301)	(609 980)
5 560 829	36 511 441	(30 950 612)	- Design	5 077 486	47 044 788	(41 967 302)	(41 390 980)
313 794	453 098	(139 304)	- Roads and Stormwater	453 000	453 000		
6 417	1 312 271	(1 305 854)	- Railway Sidings	6 741	2 216 604	(2 209 863)	(1 457 200)
301	610 908	(610 607)	- Mechanical Service	105	1 634 317	(1 634 212)	(838 640)
			- Rural Area Development				
15 943 133	12 475 908	3 467 225	Finance	20 627 651	14 910 558	5 717 093	3 531 160
89 595	11 839 723	(11 770 128)	- Administration	71 014	8 700 883	(8 629 869)	(8 288 310)
71 393 506	32 892 244	38 501 262	- Miscellaneous Services	145 686 705	111 367 914	34 318 791	0
	5 289 064	(5 289 064)	- Governmental Transfers		5 435 669	(5 435 669)	(5 984 310)
	774 763	(774 763)	- Grants-in-Aid		836 157	(836 157)	(667 970)
			- Internal Audit				
			Economic Development and Planning				
1 115	966 063	(965 748)	- Administration	455	1 572 825	(1 572 370)	(1 365 610)
67 846	3 352 749	(3 284 903)	- Town Planning	113 769	3 824 668	(3 710 899)	(4 242 220)
152 249	1 594 689	(1 442 450)	- Metropolitan Planning	130 540	1 701 408	(1 562 940)	(1 742 140)
4 056	688 922	(685 066)	- Drafting Service	1 021	744 152	(742 331)	(776 010)
16 510	579 447	(562 937)	- Property Administration	11 991	988 474	(968 483)	(1 246 670)
435 177	2 831 800	(2 396 623)	- Building Maintenance	337 056	3 430 021	(3 092 965)	(3 293 230)
12 412	2 732 407	(2 719 995)	- Industrial Marketing & Public Relations	9 101	2 067 890	(2 058 789)	(3 087 110)
	303 477	(303 477)	- Masakhane				(7 070)
12 787 765	79 579 123	(66 791 358)	Subsidiary Services	13 505 611	86 706 547	(73 200 936)	(74 184 350)
1 577 972	17 891 288	(16 313 316)	Ambulance service	1 053 197	19 375 471	(17 522 274)	(17 831 630)
2 916 658	4 698 497	(1 781 839)	Fire Protection	4 012 237	5 983 391	(1 971 154)	(1 659 770)
868 172	3 064 750	(2 196 578)	Cemeteries	844 157	3 291 701	(2 447 544)	(2 437 760)
155 260	245 233	(89 973)	Zoo and Nature Conservation	174 381	252 064	(78 683)	(83 610)
40 721	18 607 622	(18 566 901)	Airport	52 990	20 209 907	(20 156 917)	(20 261 250)
3 376 049	11 674 758	(8 297 909)	Parks	2 976 267	11 991 630	(9 015 363)	(10 311 140)
384 210	2 500 466	(2 116 256)	Sporn and Recreation	345 487	3 610 605	(3 265 118)	(293 090)
2 373 100	2 274 791	40 309	Swimming Baths	2 040 572	2 589 692	(549 120)	(8 934 950)
533 786	8 256 938	(7 723 152)	Sundry Properties	9 079 342	615 728	(8 463 614)	(8 639 330)
621 037	10 031 559	(9 410 522)	City Library Services	590 595	10 274 214	(9 683 619)	(133 810)
	253 221	(253 221)	Civic Buildings		127 730	(127 730)	
			Civic Theatre				

APPENDIX E (Continued)

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2003

2002 ACTUAL INCOME	2002 ACTUAL EXPEN- DITURE	2002 SURPLUS/ (DEFICIT)		2003 ACTUAL INCOME	2003 ACTUAL EXPEN- DITURE	2003 SURPLUS/ (DEFICIT)	2003 BUDGET SURPLUS/ (DEFICIT)
R	R	R		R	R	R	R
109 967 484	89 765 736	20 201 748	Economic Services	115 979 441	105 705 142	10 274 299	7 563 650
558 006	665 402	(106 596)	Parking Garage	691 904	922 935	(231 031)	(437 950)
50 425	144 621	(94 196)	Taxi Terminus	54 304	82 575	(28 271)	(83 920)
1 728 187	5 275 213	(3 547 026)	Building Management and Control	2 061 590	5 084 032	(3 022 442)	(4 872 930)
10 429 906	44 022 917	(33 593 011)	Cleansing Service	17 916 084	60 759 013	(42 843 729)	(41 984 000)
1 860 234	7 201 390	(5 341 156)	Sanitary and Nightsoil	2 992 529	8 340 276	(5 347 747)	(8 974 860)
7 959 700	32 255 193	(24 295 493)	Sewerage	1 743 769	29 715 511	(27 971 742)	(30 751 220)
87 372 218		87 372 218	Sanitary Fees	90 519 261		90 519 261	94 768 530
5 866 777	8 205 767	(2 338 990)	HOUSING SERVICES	6 248 511	9 197 418	(2 948 907)	(2 209 420)
984 554	3 323 544	(2 338 990)	Administration	1 554 584	4 503 491	(2 948 907)	(2 209 420)
3 613 026	3 613 026		Economic Schemes	3 624 739	3 624 739		
434 093	434 093		Sub-economic Schemes	224 163	224 163		
37 087	37 087		Compound	34 569	34 569		
58 990	58 990		Mangaung	58 030	58 030		
172 992	172 992		Mangaung Hostel	189 504	189 504		
179 329	179 329		Heldredal	178 272	178 272		
385 906	385 906		- Economic Schemes	383 850	383 850		
			- Sub-economic Schemes				
498 015 179	428 622 481	69 392 698	TRADING SERVICES	582 697 184	511 959 369	70 737 815	44 070 000
345 510 095	298 317 907	47 192 188	Electricity	380 137 672	342 182 644	38 035 028	24 167 080
7 098 957	6 533 213	1 365 744	Produce Market	9 632 468	7 072 088	2 560 380	722 040
144 606 127	123 771 361	20 834 766	Water	192 927 044	162 704 637	30 142 407	19 180 880
896 241 658	819 134 436	77 107 222	TOTAL	1 090 562 959	1 043 343 079	47 219 880	(14 589 690)
		(5 067 252)	Distribution, Suspense and Quarry Accounts (Refer to Appendix E(ii))			(7 905 276)	
		(68 439 450)	Appropriations for the year			(39 443 361)	
		(68 439 450)	- Operating Account			(39 443 361)	
		0	- Distribution, Suspense and Quarry Accounts (Refer to note 10)			0	
		2 800 520	Net surplus/ (deficit) for the year			(120 757)	
		21 445 023	Accumulated surplus/ (deficit) beginning of the year			24 246 343	
		17 969 513	- Operating Account			26 637 205	
		3 476 310	- Distribution, Suspense and Quarry Accounts			(2 390 942)	
		24 246 343	ACCUMULATED SURPLUS/(DEFICIT) END OF THE YEAR			24 117 586	
		26 637 205 (2 390 942)	Operating Account Distribution, Suspense and Quarry Accounts (Refer to Appendix E(ii))			34 413 004 (10 296 218)	

APPENDIX E (i)

DISTRIBUTION, SUSPENSE AND QUARRY ACCOUNTS
DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2003

2002 ACTUAL INCOME	2002 ACTUAL EXPEN- DITURE	2002 SURPLUS/ (DEFICIT)	DISTRIBUTION, SUSPENSE AND QUARRY ACCOUNTS	2003 ACTUAL INCOME	2003 ACTUAL EXPEN- DITURE	2003 SURPLUS/ (DEFICIT)	2003 BUDGET SURPLUS/ (DEFICIT)
R	R	R		R	R	R	R
			DISTRIBUTION ACCOUNTS				
16 940 236	17 973 847	(1 033 611)	City Engineer	7 413 878	9 441 766	(2 027 888)	
11 262 649	10 546 393	716 256	Mechanical Services	6 841 197	10 928 086	(4 087 689)	(1 225 810)
24 574 141	25 644 432	(1 070 291)	Electricity Service - Network Services	25 573 618	27 652 896	(2 079 278)	(1 990 280)
1 123 081	973 684	149 397	Electricity Service - Training	1 195 745	1 120 249	75 496	(233 320)
			TARIFF VEHICLES				
4 738 542	4 738 542		Electricity Service	5 029 138	5 029 138		
744 508	744 508		Mechanical Services	215 254	1 368 516	(1 153 262)	
9 708 766	14 337 769	(4 629 003)	City Engineer	13 629 719	12 262 374	1 367 345	
4 113 480	4 113 480		STORES	4 779 225	4 779 225		
			QUARRY ACCOUNTS				
268	268		Petra Dolerite Quarry				
454 759	454 759		Gravel Quarry	537 812	537 812		
73 660 430	79 527 682	(5 867 252)		65 215 586	73 120 862	(7 905 276)	(3 449 410)
		3 476 310	Accumulated surplus (deficit) beginning of the year			(2 390 942)	
		(2 390 942)	Accumulated surplus (deficit) end of year - Transferred to appendix E			(10 296 218)	

APPENDIX E (ii)

HOUSING FUND (HOUSING ACT NO. 107 OF 1997)
DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2003

2002 ACTUAL INCOME	2002 ACTUAL EXPEN- DITURE	2002 SURPLUS/ (DEFICIT)		2003 ACTUAL INCOME	2003 ACTUAL EXPEN- DITURE	2003 SURPLUS/ (DEFICIT)	2003 BUDGET SURPLUS/ (DEFICIT)
R	R	R		R	R	R	R
3 019 301	3 201 002	(181 701)	Operating Account	2 640 814	3 496 440	(855 626)	-
		77 741 657	Accumulated Fund beginning of the year			77 559 956	-
		77 559 956	Accumulated Fund end of the year			76 704 330	-

APPENDIX F STATISTICAL INFORMATION

		2003	2002
A) GENERAL STATISTICS			
Population		776 500	739 535
Valuations as at :		1 July 2002	1 July 2001
Valuation of taxable property			
Land		2 592 754 532	2 490 764 992
Improvements		10 263 751 714	9 512 498 304
Valuation of residential property			
Land		1 615 739 583	1 542 511 603
Improvements		6 191 061 214	5 922 970 204
Valuation of commercial property			
Land		678 114 749	662 061 369
Improvements		2 364 814 700	1 998 240 300
Valuation of other properties			
Land		298 900 200	286 192 020
Improvements		1 707 875 800	1 591 287 800
Valuation of non-taxable property			
Land		524 253 140	554 130 380
Improvements		925 014 951	868 195 410
Number of properties			
Residential		118 607	96 941
Commercial		3 697	2 630
Other		20 610	28 166
Number of employees		4 497	4 638
B) ELECTRICITY STATISTICS			
Number of users			
Residential		131 232	128 776
Commercial		11 553	4 566
Units bought / generated	KWh	1 443 457 141	1 397 982 085
Units sold	KWh	1 313 842 237	1 270 221 814
Units lost in distribution	KWh	129 614 904	127 760 271
Percentage lost in distribution	%	8,98	9,14
Cost per unit sold	c/KWh	26,04	23,49
C) WATER STATISTICS			
Number of users		108 004	104 811
Units bought / purified	Kl	57 246 440	48 558 230
Units sold	Kl	48 553 089	39 320 632
Units lost in distribution	Kl	8 693 351	9 237 598
Percentage lost in distribution	%	15,19	19,02
Cost per unit sold	c/Kl	335,27	314,77

APPENDIX G

MEMORANDUM STATEMENTS

BLOEMET CONSOLIDATED METROPOLITAN TRANSPORT FUND

ACCOUNTING POLICIES

The financial statements incorporate the following principal accounting policies which are consistent with those applied in the previous year.

1. The financial statements are prepared on the historical cost basis.
2. Grants received are recognised as income in the same year that the income is expended.
3. Equipment acquired are written off against contributions.

BLOEMET CONSOLIDATED METROPOLITAN TRANSPORT FUND

BALANCE SHEET AT 30 JUNE 2003

2001/2002	EMPLOYMENT OF CAPITAL	2002/2003
R		R
	NET CURRENT ASSETS	
2 325 836	Current Assets	2 263 465
2 325 836	Due by TLC Mangaung	2 248 346
-	Debtors	15 119
	Interstate Bus Service	15 119
	- Planning	
	Current Liabilities	
(2 325 836)	Contributions Prepaid	(2 263 465)
(2 325 836)	Planning	(2 263 465)
(161 648)	- Department of Transport	(161 648)
(1 499 148)	- Free State Provincial Administration	(1 832 921)
(656 165)	- TLC Mangaung	(268 896)
(8 875)	- Interstate Bus Service	-
0		0

BLOEMET CONSOLIDATED METROPOLITAN TRANSPORT FUND
 INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2003

2001/2002		2002/2003
R		R
	EXPENDITURE	
	CLAIMS SUBMITTED	
	Planning	
	Salaries	
134 431	- Urban Planning	137 922
11 557	- Traffic Division	6 182
263 720	Road Classification & Public Transport Study	-
275	Insurance	292
-	Conferences	3 200
14 356	Travelling and Subsistence	29 143
38	Printing and Stationery	-
-	Bloemet Electronic Counting Programme	83 138
-	Equipment and Tools	493
<u>424 377</u>		<u>260 370</u>
	INCOME	
	CONTRIBUTIONS RECEIVED	
	Planning	
333 773	Free State Provincial Government	-
87 209	Mangaung Local Municipality	249 955
3 395	Interstate Bus Services	10 415
<u>424 377</u>		<u>260 370</u>

BLOEMET CONSOLIDATED METROPOLITAN TRANSPORT FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2003

	NOTE	2003 R	2002 R
CASH RETAINED FROM OPERATING ACTIVITIES		309 779	1 748 735
Decrease/(Increase) in working capital	2	309 779	1 748 735
Cash contribution			
NET CASH FLOW		309 779	1 748 735
CASH EFFECTS OF FINANCING ACTIVITIES			
(Decrease)/Increase in amount due to Mangaung Local Municipal		(309 779)	(9 281)
NET CASH UTILISED/(GENERATED)		(309 779)	(9 281)

NOTES TO THE FINANCIAL STATEMENTS

1. Equipment :

Equipment at cost at beginning of year	287 674	287 674
Written off against subsidies and contributions in previous years	(287 674)	(287 674)
Balance 30 June	-	-
Acquired during year at cost	493	-
Written off against subsidies and contributions	(493)	-
Balance 30 June	-	-

2. Cash utilised to increase working capital :

Decrease/(Increase) in debtors	(15 119)	252 983
(Decrease)/Increase in creditors	324 898	1 495 752
	309 779	1 748 735

ANNEXURE D

REPORT OF THE AUDITOR-GENERAL TO THE MEMBERS OF THE COUNCIL OF
MANGAUNG LOCAL MUNICIPALITY ON THE PERFORMANCE MEASUREMENT
OF THE MANGAUNG LOCAL MUNICIPALITY FOR THE YEAR ENDED
30 JUNE 2003

REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON THE RESULTS OF THE PERFORMANCE MEASUREMENT OF THE MANGAUNG LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2003

1. AUDIT ASSIGNMENT

The results of the performance measurement in the annual report for the year ended 30 June 2003, set out on pages XX to XX, are the responsibility of the accounting officer.

My responsibility is to provide an assessment of the controls implemented by the accounting officer to develop and manage the municipality's performance management system as required by section 45(b) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000).

My role is not to assess or comment on the municipality's actual performance, but rather to evaluate the processes followed during the implementation of the performance management system.

2. NATURE AND SCOPE

I have performed the procedures agreed with the accounting officer and described below regarding the performance management system of the Mangaung Local Municipality. Our engagement was undertaken in accordance with the Statements of South African Auditing Standards applicable to agreed-upon procedures engagements.

The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed rests with the Mangaung Local Municipality. My procedures were performed solely to evaluate the controls implemented by the accounting officer regarding the municipality's performance management system against the criteria set out in chapter 6 of the Local Government: Municipal Systems Act, 2000, the Local Government: Municipal Planning and Performance Management Regulations, 2001 (No. R. 796) and best practices, so as to report on the relevant compliance with legislation and to assist in identifying possible areas for improvement. The procedures performed are summarised as follows:

Integrated development plan

Confirmed whether the municipality had developed, adopted and implemented a formally documented integrated development plan according to a formally documented process.

Performance management system

A process evaluation was performed to confirm whether a performance management system exists.

Key performance indicators

A process evaluation was performed to confirm whether key performance indicators exist.

Performance targets

A process evaluation was performed to confirm whether specific targets exist for each of the adopted key performance indicators.

Actual service delivery

A process evaluation was performed to confirm whether the municipality tracked the performance of their staff and service providers during the service delivery process.

Internal monitoring

A process evaluation was performed to confirm whether the municipality monitored and compared their actual and targeted progress on a continuous basis.

Internal control

A process evaluation was performed to confirm whether the municipality has, as part of its internal control, an internal audit activity and performance audit committee.

Performance measurement and reporting

A process evaluation was performed to confirm whether a performance report was compiled.

Revision of strategies and objectives

A process evaluation was performed to confirm whether the municipality reviewed their strategies and objectives, based on their actual and targeted results.

3. FINDINGS

I report my findings below:

3.1 Integrated development plan

It was found that the municipality had developed, adopted and implemented a formally documented integrated development plan according to a formally documented process.

Contrary to section 25(4)(a) of the Local Government: Municipal Systems Act, 2000, notice of the adoption of the integrated development plan was given sixteen days after the approval by Council instead of within fourteen days, as required by the Act.

3.2 Performance management system

A performance management system was developed, adopted and implemented as required in terms of section 38 of the Local Government: Municipal Systems Act, 2000 and chapter 3, paragraph 8 of the Local Government: Municipal Planning and Performance Management Regulations, 2001.

3.3 Key performance indicators and performance targets

In accordance with section 40 of the Local Government: Municipal Systems Act, 2000 and chapter 3, paragraphs 9 and 12 of the Local Government: Municipal Planning and Performance Management Regulations, 2001 -

- key performance indicators were set as a yardstick for measuring performance with regard to the municipality's development priorities and objectives set out in the integrated development plan; and
- measurable performance targets were set with regard to each of those development priorities and objectives.

3.4 Actual service delivery and internal monitoring

Contrary to the provisions of section 41(1)(c) and (d) of the Local Government: Municipal Systems Act, 2000 and chapter 3, paragraph 13 of the Local Government: Municipal Planning and Performance Management Regulations, 2001 -

- except for the first two levels of employment, measurement and review of performance by staff and service providers for all levels of the organisation was not developed, adopted and implemented;

- the performance of staff and service providers during the actual service delivery process was not tracked; and
- actual progress and targeted progress were not monitored and compared on a continuous basis.

3.5 Internal control

In accordance with section 45 of the Local Government: Municipal Systems Act, 2000 and chapter 3, paragraph 14 of the Local Government: Municipal Planning and Performance Management Regulations, 2001, an internal audit section was implemented to audit the results of performance measures as part of the municipality's internal auditing process.

However, a performance management audit committee was not appointed and mechanisms, systems and processes for auditing the results of performance measurement as part of the municipality's internal auditing processes were not developed and implemented.

3.6 Performance measurement and reporting

In terms of section 41(1)(c) of the Local Government: Municipal Systems Act, 2000, performance should be monitored, measured and reviewed at least once a year. A reporting format has been established, but has only been in use since July 2003. It should have been in use during the 2002-03 financial year.

An annual performance report was prepared and adopted, but not within one month of receiving the audit report as required in terms of section 46 of the Local Government: Municipal Systems Act, 2000.

3.7 Revision of strategies and objectives

It was noted that the municipality's strategies and objectives were revised with regard to performance management.

4. CONCLUSION

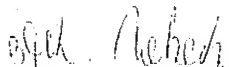
Because the above procedures do not constitute either an audit or a review made in accordance with Statements of South African Auditing Standards, I do not express any assurance on the results of performance measurement as at 30 June 2003.

An audit of the financial statements in accordance with Statements of South African Auditing Standards was concluded and a report to this effect was included in the annual report.

This report is intended solely for the purpose set out in paragraph 2 of this report as well as for your information, and is not to be used for any other purpose. Furthermore, this report relates only to the specific phases of the performance management system as specified above, and does not extend to any financial statements of the Mangaung Local Municipality, taken as a whole.

5. APPRECIATION

The assistance rendered by the staff of the Mangaung Local Municipality during the auditing of the results of performance measurement is sincerely appreciated.


B.J.K. van Niekerk
Auditor-General

Bloemfontein

25 May 2004

COMMENTS BY THE MANGAUNG LOCAL MUNICIPALITY ON THE REPORT OF
THE AUDITOR-GENERAL

At the time of writing this report a copy of the minutes of the council meeting containing the comments of the municipality on the audit report as required in terms of section 10G(2)(e) of the Local Government Transition Act, 1993 had not yet been received.